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1. Soviet gold production is estimated at two million ounces per year. It can be assumed that some of this is exchanged for dollars and other hard currencies in order to pay for Soviet and satellite purchases of scarce raw materials, machinery, etc., from Western countries. Sales of Soviet gold seem to be handled in various ways; the Soviets obviously are always endeavoring to obtain the open or black market price since this is approximately 20 percent higher than the U.S. official rate.
2. The truth of reports that ingots with Soviet hammer and sickle markings have recently turned up in Turkey seems doubtful. It may be assumed, in any case, that if such ingots are for sale there, they have probably been in Turkey or the Middle East for a long time and may have originated from Soviet purchases in these areas during the war, at which time ingots with Soviet markings were accepted without question. Of late, gold markets in Tangier, Paris, Switzerland, etc., are hesitant to accept them, whereas gold bars with the markings of satellite countries (Rumania, Czechoslovakia, Hungary, etc.) are accepted everywhere without a discount. As recasting gold bars to eliminate Soviet markings costs only approximately one-half percent of the value, it can be assumed that the Soviets would recast the bars before putting them on the open market.
3. In this connection, it may be of interest to point out that as long as the purity and weight of the gold are correct, there is no international law which forbids changing national markings on gold bars or even minting another country's coins. For example, French gold coins can be legally minted in Switzerland; the only obstacle to this is that national banks with minting facilities do not accept orders from individuals, but only from other governments.
4. As an example, during the year 1950, several lots (each of five to ten thousand louis d'or) were offered for sale in Switzerland by small dealers and various firms that often act as intermediaries in black market gold dealings. All these coins seemed new and showed 1912 or 1913 dates. They were packed in small sacks each containing

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500 pieces, but none of the sacks had markings of any particular bank, as is customary. At the time, gold traders assumed that these louis d'or were made of Soviet gold, minted in Prague, shipped into Switzerland by Soviet or satellite diplomatic pouch, and put up for sale through intermediaries -- transactions which could easily be explained by the fact that French louis d'or receive preference from French buyers and usually command a higher price than gold pieces of equal weight from other countries.

5. Gold producers find it to their interest, naturally, to sell gold pieces as they bring 15 to 20 percent higher prices than gold ingots; the latter are difficult to handle and call for a minimum investment of approximately \$15,000.
6. During the second half of 1950, approximately 66,000 ounces of gold in bars with Rumanian markings were offered in Switzerland by intermediaries of the Czechoslovak National Bank in Prague. As Rumania produces some gold of its own, the gold may actually have been of Rumanian origin or it could have been Soviet gold with markings changed as detailed above.
7. Apart from these relatively small transactions, no large-scale sales of gold have been noticed in Western Europe that could be traced back to the East. The only market capable of absorbing quantities as large as the Soviet production is India where the price of gold is approximately 30 percent higher than on European markets. [REDACTED] has levied a 20 percent import tax on gold. [REDACTED] is gold conscious and, especially since [REDACTED] from China, have been hoarding gold. [REDACTED] in the country, therefore, is virtually unlimited. It is also quite possible that the Soviets have discovered a way to obviate paying the Indian import tax, or that the Indian government is encouraging Soviet sales specifically in order to collect these taxes.
8. The difficulty involved in dealing with Indian buyers is that they usually pay in local currency which must subsequently be changed by devious methods from rupees into pounds sterling and then into dollars. All this involves several clandestine transactions, each carrying a certain risk and therefore added expense. Of course, should the Indian government cooperate, these difficulties by and large would disappear.
9. During 1950, the main supplies for the Tangier and Paris gold markets came indirectly from the United States; the Banque de France and various Mexican banks bought gold in the United States at the official rate of approximately \$35 an ounce and then sold on the open legitimate Paris market or to black market dealers where between \$42 and \$43, the rate at present, is paid. All Western European gold transactions have diminished of late as a result of protests on the part of the U.S. Treasury and the Bank of England to the governments involved.

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11. Transactions in Switzerland, France, and Tangier are being carried on at present on a very small scale and would in no way account for any large-scale Soviet sales.

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